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# Compensating The Force

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**OSD Compensation**
**17 Nov 09**

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# Strategic Goals of Compensation

- **Recruit** – Overall, critical skills, high quality
- **Retain** – Overall, critical skills, high quality
- **Motivate/Reward Effective Work** – Productivity & performance
- **Distribute/Align/Assign** – Right people, with right skills, when and where needed (including hard-to-fill jobs)
- **Transition/Separate** – Right people, right skills, right time

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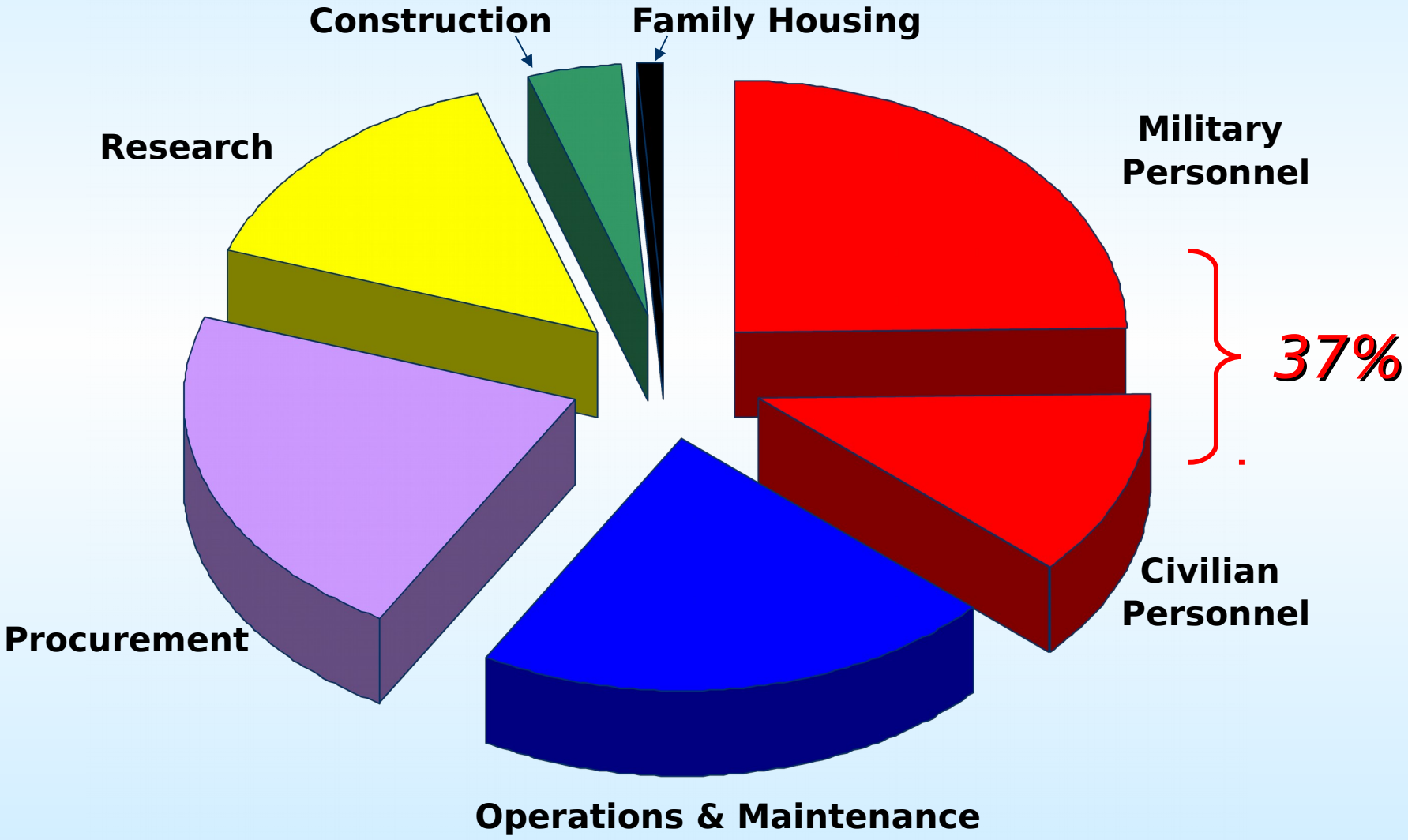
# Where is DoD's Money…



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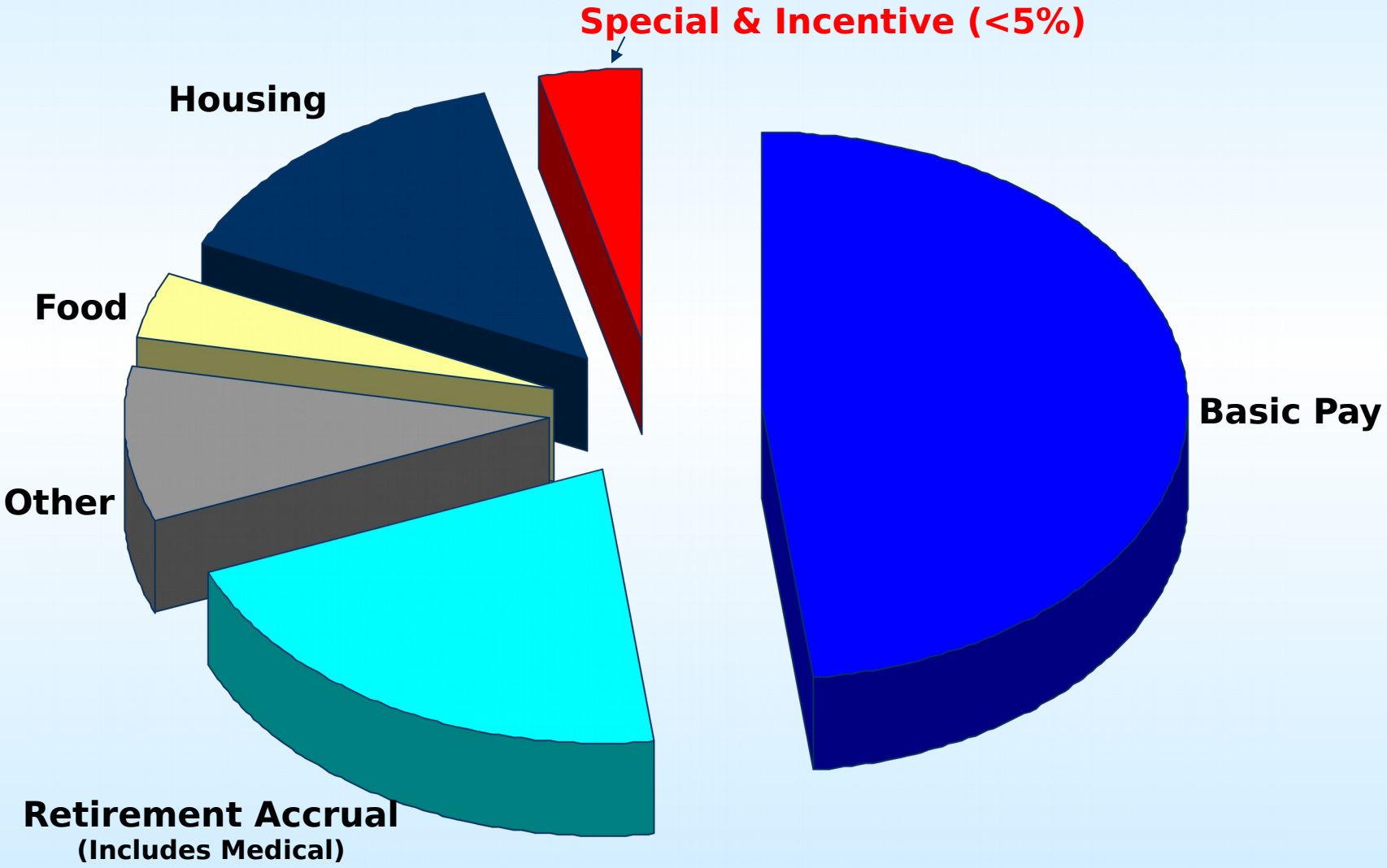
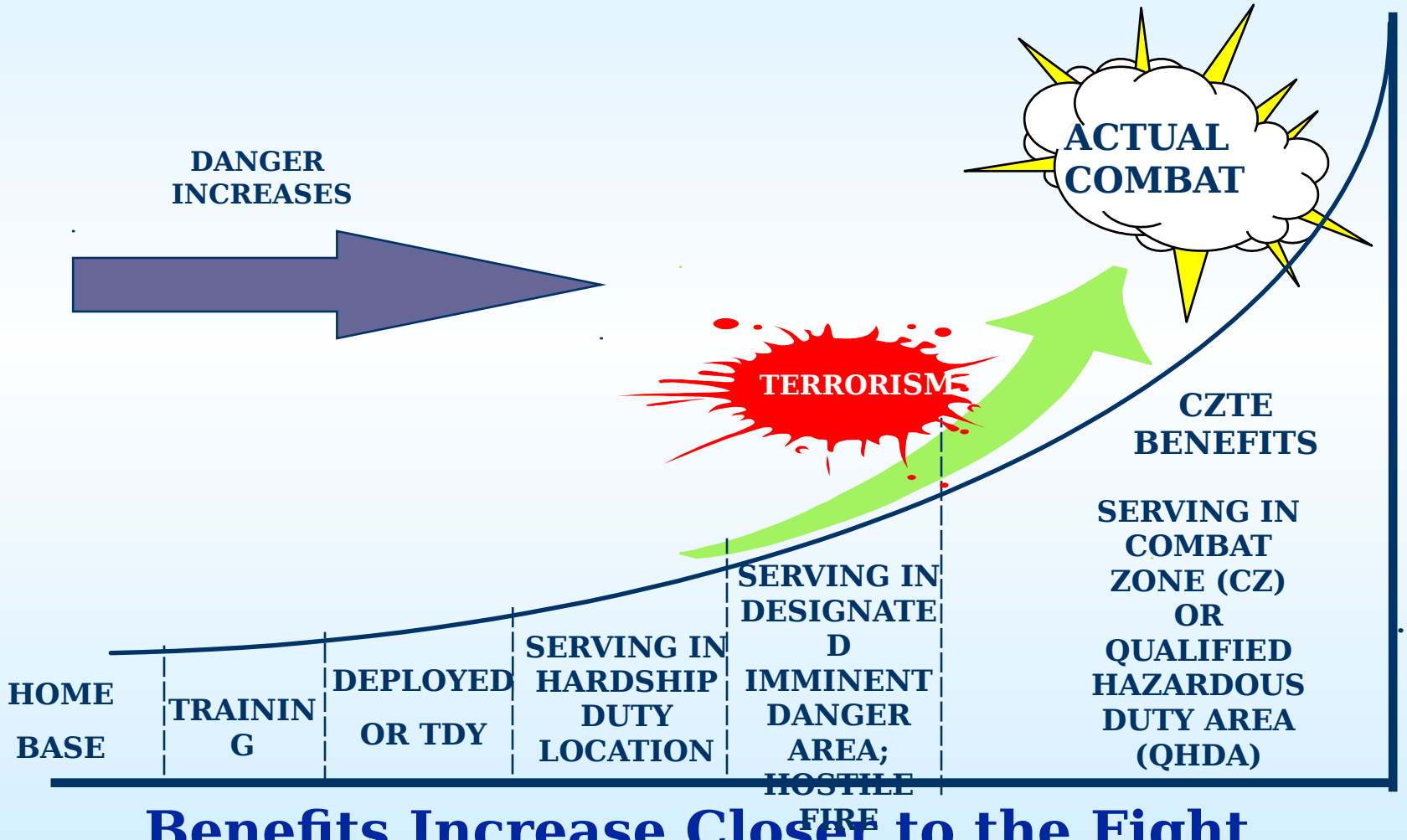
# Where is DoD's MilPers Money…



# Away, Arduous, Danger Pay Philosophy




**Benefits Increase Closer to the Fight**

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# Compensation of Troops: Iraq vs. CONUS

- **E-6/0-3, married with children, serving in combat zone, with member's counterpart serving in CONUS *(while Iraq shown here, same numbers apply for members assigned in Afghanistan)*:**

| MILITARY COMPENSATION (MONTHLY) | | | | |
|---|---|---|---|---|
| | E-6, 10 YoS, married, 2 children | | O-3, 8 YoS, married, 1 child | |
| | CONUS | Iraq (1 yr TDY) | CONUS | Iraq (1 yr TDY) |
| **Basic Pay (BP)** *(1)* | $3,045 | $3,045 | $5,197 | $5,197 |
| **Basic Allowance for Housing (BAH)** *(2)* | $1,536 | $1,536 | $1,712 | $1,712 |
| **Basic Allowance for Subsistence (BAS)** | $324 | $324 | $223 | $223 |
| **Family Separation Allowance (FSA)** | N/A | $250 | $0 | $250 |
| **Temporary Duty - Per Diem (Incidental Expense)** *(3)* | N/A | $105 | $0 | $105 |
| **Hardship Duty Pay-Location (HDP-L)** *(4)* | N/A | $100 | $0 | $100 |
| **Imminent Danger Pay (IDP)** | N/A | $225 | $0 | $225 |
| **Combat Zone Tax Exclusion (CZTE)** *(5)* | N/A | $0 | $0 | $381 |
| ***Total*** | $4,905 | $5,585 | $7,132 | $8,193 |
| ***Difference (from CONUS Station)*** | | $680 | | $1,061 |
| ***Notes:*** | | | | |
| *1. 1 J an 09 pay table* | | | | |
| *2. Assumes average BAH for all E-6s and O-3s respectively, with dependents. Actual BAH rate would be determined based on geographical location.* | | | | |
| *3. Members on TDY who are provided meals and quarters, receive the portion of per diem for "incidentals and expenses," which is $3.50/day ($105/mo)* | | | | |
| *4. DoD policy caps HDP-L at $150/mo. except in IDP areas it is capped at $100/mo. (intent of this policy is to ward against dual payment for personal security* | | | | |
| *5. Amount of CZTE benefit varies by person (based on total number of dependents), this assumes no spousal income.* | | | | |

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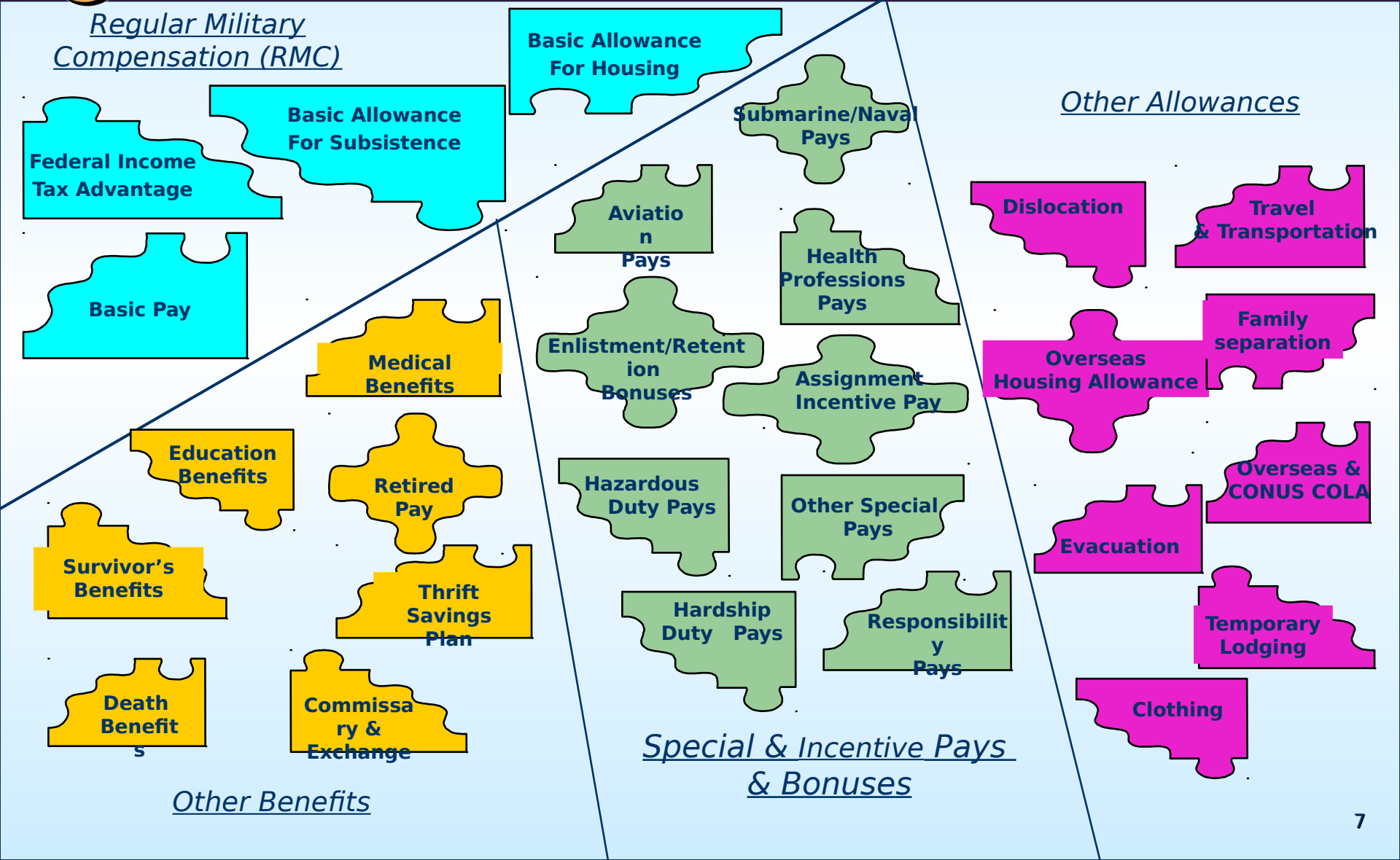
# Compensation



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# Special & Incentive (S&I) Pays

- **The military compensation system employs upwards of 65 statutory special and incentive pays, among them, more than 30 bonuses**
- **S&I pays are used to keep military compensation flexible, competitive and efficient and…**
  - **Overcome specific manning problems by attracting and retaining individuals with critical skills**
  - **Encourage retention in career fields; and assignments involving arduous, hard-to-fill or unusual conditions**
  - **Incentive pays also encourage volunteers for arduous or dangerous assignments**
- **Bonuses are used to attract and retain critical skills**
  - **Enlistment, reenlistment, skill conversion, transfer to other Service**
  - **Market driven**

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# Hardship Duty Pay (HDP)

- OSD designates hardship duty for HDP
  - **By law, up to $1500/month payable in HDP for designated hardship duty**
  - **In application:**
    - **HDP-Mission (M): sole mission designated for HDP-M is recovery of remains of US service members lost in past wars; $150/month paid**
    - **HDP-Location (L): paid to recognize members in areas where Quality of Life is substantially below that of members generally in U.S.**
      - By policy, max paid is $150/month
        - In IDP areas, max HDP-L paid is $100 (personal security issues covered by IDP)
        - Currently, locations in about 160 countries designated for HDP-L
    - **HDP-Tempo (T): Inordinate personal tempo *could* be designated as "hardship duty" for HDP purposes as an alternative to paying "High Deployment Allowance" under 37 USC 436**

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# Imminent Danger Pay (IDP)

- Paid in designated imminent danger areas; statute requires determination that members are subject to "threat of physical harm or imminent danger on basis of civil war, civil insurrection, terrorism or wartime conditions"
- $225 paid for any month (or portion of a month) in which duty performed in designated area
- Currently, locations in over 45 countries and 7 sea areas are designated for IDP

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# Assignment Incentive Pay (AIP)

- Origin: market based tool to incentivize members to volunteer for hard-to-fill assignments and less desirable locations
- Intended to mitigate negative retention consequence of involuntary or “slam” assignments
- With OSD approval, Service Secretaries may designate assignments and authorize a monthly AIP amount to serve in the designated assignments
- Statutory maximum payable monthly: $3,000

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# Family Separation Allowance (FSA)

- Purpose is to partially reimburse members who have dependents, for added expenses when separated from their dependents
- Paid to members who have dependents, and who as a result of military orders are separated from those dependents for over 30 continuous days
- Amount payable: $250 monthly

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# Compensating Wounded Warriors

- Traumatic – Servicemembers Group Life Insurance (TSGLI)
- Pay and Allowance Continuation (PAC)
- Prohibition of payment for meals in a military hospital by members undergoing medical recuperation or therapy
- Travel for families of hospitalized members
- Expansion of authority to remit or cancel indebtedness of members of the Armed Forces incurred on Active Duty

**Several compensation measures serve to assist wounded members through their recovery, rehabilitation, and/or transition to veteran status.**

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# Primary Post-Service Pay and Benefits

## Separation Pays

- Disability Severance – **For disabilities rated less than 30%. 2 months pay per year served, with a minimum of 6 years for combat disability and minimum of 3 years for all others**
- Involuntary Separation (non-disability severance) – **10% of annual pay per year served**

## Retired Pays

- Disability retirement if unfit for duty – **For disabilities rated 30% or greater: Pay at disability % or 2.5% x years served**
- Length of Service Retirement: **Must have at least 20 years of active service. Pay at 2.5% x Years Served x Pay Base (Final or (post 1980 entry) High-36 month average)**
- Reserve Retirement: **Must have at least 20 years of combined active and reserve service. Pay at age 60 similar to Length of Service Retirement using constructed years of active service**

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# Thrift Savings Program

- **Contribution Limits: $16,500 annually**
  - $5,500 Age 50
  - $49,000 annually (Combat Zone)
- **2011 – Roth TSP Option**
  - 2 years to implement
  - Contribution limits will remain
- **Web Site Renovation**
  - Nov 09 – Beta Version
  - Mar 10 – Full Rollout

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# Savings Deposit Program

- Members deployed to designated areas overseas can deposit up to $10,000
- Withdrawals for emergencies only
- Account balances are usually paid out within 90 days after the member leaves the eligible region.
- Deposits do not receive preferential tax treatment; interest is taxable when the member receives his/her account balance.
- Interest Rate: 10 percent

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# FSSA vs. SNAP

- **DoD**
  - Family Subsistence Supplemental Allowance (FSSA)
- **USDA**
  - Supplemental Nutrition Assistance Program (SNAP)

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# FSSA - Background

- **Started 1 May 2001**
- **Supplemental food allowance to raise the income of eligible members to eliminate eligibility for food stamps**
  - Members on active duty
  - Entitled to BAS
  - With dependents
  - Income eligibility
- **Eligibility is based on USDA criteria for food stamp eligibility, except income for FSSA purposes will include the value of government quarters**
- **Voluntary program**
- **FSSA monthly entitlement can not exceed $1100**

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# FSSA - Issues

- Members may qualify for SNAP or FSSA
- Use of food stamps by members is undesirable
- DoD cannot track members receiving food stamps
- SNAP does not count government housing as income; FSSA does
- SNAP – Debit/Credit Card; FSSA - Cash

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# FSSA – Recent Fixes

- **Member denied FSSA, applies for SNAP, brings back SNAP qualification to receive same amount of FSSA**
- **BAH added to the LES for members living in government housing**
- **Increase visibility of FSSA Program**

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# FSSA Way Ahead

- **Make FSSA criteria identical to SNAP criteria?**
- **2010 NDAA:  Increase in maximum monthly amount of FSSA from $500 to $1100**

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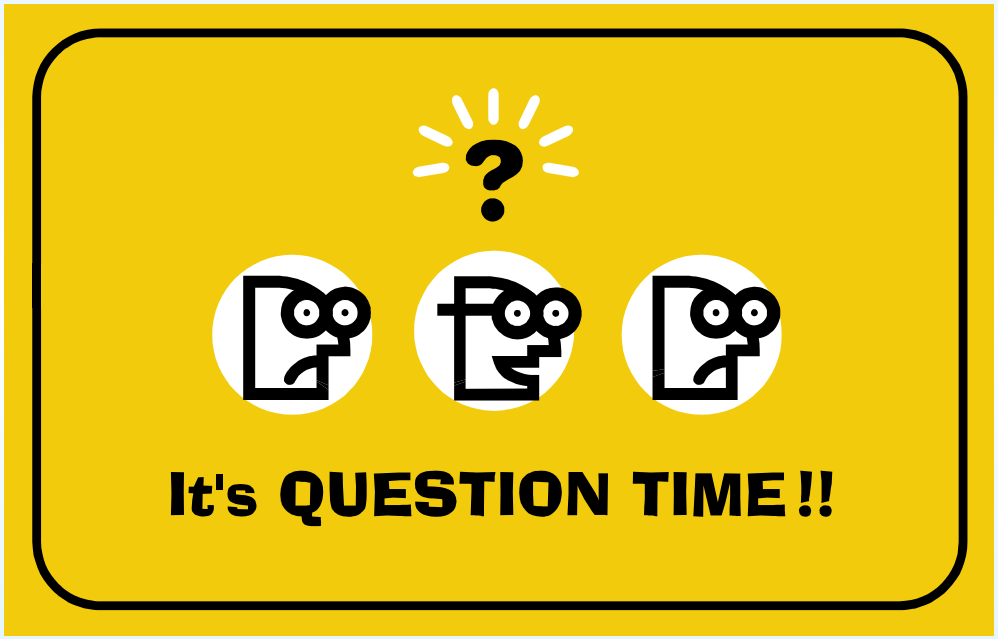
# Military Compensation
## (In Context)

- Housing
  - **Zero out-of-pocket for average member**
  - **Tailored to (variable) home size @ full local price for housing / utilities**
- Retirement
  - **E-7 who retires at 20 gets $1.8 million over a lifetime**
  - **Lump-sum equivalent at age 38 would be $505,000**
- Health Insurance
  - **Civilian pays about $2,700 a year**
  - **97% have additional co-pays / co-insurance averaging $1,200 annually**
- Non-Pay Benefits
  - **Commissary shopping saves 30% for typical grocery purchases**
  - **Child Care -- only 14% of private industry offers child care support**

**Source: 10th QRMC**


It's QUESTION TIME!!